

10. AID TO STATE AND LOCAL GOVERNMENTS¹

State and local governments have a vital constitutional responsibility to provide government services. They have the major role in providing domestic public services, such as public education, law enforcement, roads, water supply, and sewage treatment. The Federal Government contributes to that role both by promoting a healthy economy and by providing grants, loans, and tax subsidies to State and local governments.

Federal grants help State and local governments finance programs covering most areas of domestic public spending, including income support, infrastructure, education, and social services. Federal grant outlays were \$317.2 billion in 2001 and are estimated to increase to \$346.5 billion in 2002 and \$376.4 billion in 2003.

Grant outlays for payments for individuals, such as Medicaid, are estimated to be 64.3 percent of total grants in 2003; for physical capital investment, 15.2 percent; and for all other purposes, largely education, training, and social services, 20.5 percent.

Federal aid to State and local governments is also provided through tax expenditures. Tax expenditures are the result of special exclusions, exemptions, deductions, credits, deferrals, or tax rates in the Federal tax laws.

The two major tax expenditures benefitting State and local governments are the deductibility of personal income and property taxes from gross income for Federal income tax purposes, and the exclusion of interest on State and local public purpose bonds from Federal taxation. These provisions, on an outlay equivalent basis, are estimated to be \$80.1 billion in 2002 and \$82.9 billion in 2003. A detailed discussion of the measurement and definition of tax expenditures and a complete list of the amount of specific tax expenditures are in Chapter 6, "Tax Expenditures." As discussed in that chapter, there are generally interactions among tax ex-

penditure provisions, so that the estimates above only approximate the aggregate effect of these provisions.

Tax expenditures that especially aid State and local governments are displayed separately at the end of Table 6-5 in that chapter.

Table 10-1. FEDERAL GRANT OUTLAYS BY AGENCY

(In billions of dollars)

Agency	2001 Actual	2002 Estimate	2003 Proposed
Department of Agriculture	20.2	21.8	22.4
Department of Commerce	0.4	0.8	0.6
Department of Education	24.0	28.1	33.0
Department of Energy	0.2	0.3	0.4
Department of Health and Human Services	183.1	201.2	220.1
Department of Housing and Urban Development	26.2	28.0	29.4
Department of the Interior	2.7	2.6	2.7
Department of Justice	6.2	4.3	7.2
Department of Labor	7.7	8.9	8.6
Department of Transportation	36.7	38.7	38.4
Department of the Treasury	0.5	0.5	0.4
Department of Veterans Affairs	0.4	0.5	0.5
Environmental Protection Agency	3.8	3.7	4.0
Federal Emergency Management Agency	3.2	4.8	6.7
Other agencies	1.8	2.3	2.1
Total	317.2	346.5	376.4

Table 10-1 shows the distribution of grants by agency. Grant outlays for the Department of Health and Human Services are estimated to be \$220.1 billion in 2003, 58.5 percent of total grants, more than five times as much as any other agency.

HIGHLIGHTS OF THE FEDERAL AID PROGRAM

Major proposals in this budget affect Federal aid to State and local governments and the important relationships between the levels of government. Through the use of grants, the Federal government can share with State and local governments the cost and, ultimately, the benefits of a better educated, healthier, and safer citizenry. The Administration is committed to working with State and local governments to make the Federal system more efficient and effective and to improving the design, administration, and financial management of Federal grant programs. One way the Administration will do this is by expanding a government-

wide effort to use electronic processing in the administration of grant programs, which includes interagency work on standard and streamlined forms and processes. Each of the Federal grant-making agencies is responsible for working individually and collectively under the auspices of the Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106-107) to simplify grants and provide an electronic option for grantees to conduct business with the Federal government.

Highlights of grants to State and local governments follow. For additional information on grants, see the

¹Federal aid to State and local governments is defined as the provision of resources by the Federal Government to support a State or local program of governmental service

to the public. The three primary forms of aid are grants, loan subsidies, and tax expenditures.

detailed Table 10–3 in this Chapter, and discussions in the *Budget* volume.

Federal Emergency Management Agency

The budget provides the Federal Emergency Management Agency (FEMA) with \$3.5 billion in budget authority in 2003 to create a grant program to improve State and local terrorism preparedness. While State and local jurisdictions will have discretion to tailor the assistance to meet local needs, it is anticipated that more than one-third of the funds will be used to improve communications. It is further assumed that an additional one-third will be used to equip State and local first responders and that the remainder will be used for training, planning, technical assistance and administration. The First Responder State/Local Preparedness grant program would consolidate several existing programs, including a first responder grant previously funded within the Department of Justice (funded at \$635 million in 2002). As part of this consolidation, FEMA will take over the functions of Justice's Office of Domestic Preparedness. The program would also encompass the recently created FEMA FIRE grant program (funded at \$360 million in 2002).

Education

The budget requests \$36.1 billion in 2003 budget authority for the Department of Education for grants to States and local governments for education, an increase of \$2.0 billion above the 2002 amount of \$34.1 billion. The education proposals in this budget will help States improve accountability for school and student performance, increase flexibility, and support proven programs.

The Department of Education seeks to ensure equal access to education and promote educational excellence for all students throughout the Nation. It promotes educational excellence and access in elementary and secondary education by providing formula and competitive grants to States and local educational agencies in areas of national priority.

The budget requests \$11.4 billion for Title I grants to school districts to help raise student achievement in the Nation's most impoverished communities. At this level, funding will have increased 85 percent since 1993. Major reform is underway for Title I grants which have fallen short in meeting their objectives. Historically, Title I has done little to raise student achievement as measured by test scores of low-income students. For instance, reading scores of at-risk students have remained flat over this period. However, in light of this year's legislative reforms, the Administration believes that the program now holds promise for improving performance by the schools and for the students who face the most challenges. Schools that receive Title I funds must show academic progress each year, both for students overall and for each student group, to ensure that all groups of students are proficient in reading and math within 12 years. If a school that receives Title I funds does not improve for three consecutive years, parents can use Federal funds for outside educational assistance from a public or private tutor of

their choice. The budget builds a foundation for success by investing \$1.0 billion in 2003 in the Reading First program, a \$100 million increase over 2002. Reading is the foundation skill for all other learning. The President's goal is to ensure that all students can read at grade level by the end of the third grade. The Reading First program, initiated through the new Elementary and Secondary Education Act (ESEA), will provide funds to States to support only the most proven reading practices. The budget includes \$75 million for Early Reading First, the same level as 2002, to develop model programs to help children in high-poverty communities prepare for school. The budget also proposes \$387 million for the second year of Federal support of States' development of annual reading and math assessments for grades 3 through 8. These assessments will be used to monitor the yearly progress of schools under the new requirements of ESEA.

The budget proposes \$665 million for performance-based grants to States to promote English language acquisition. Under the new law, students served by this program must also show adequate yearly progress, thus giving States a strong incentive to improve student performance on annual assessments.

The budget proposes \$2.9 billion for the Teacher Quality State Grants program to recruit, train, and retain qualified teachers. This funding should assist States in ensuring that all new teachers in schools receiving Title I funds are highly qualified as required by the new ESEA.

Children with disabilities are among those at greatest risk of being left behind. The Individuals with Disabilities Education Act (IDEA) establishes the right of children with disabilities to a free and appropriate public education. To help States and localities meet their responsibilities toward children with disabilities, the budget proposes \$9.4 billion for the Special Education grant to States program for 2003, a \$1.0 billion increase. This total includes \$437 million for States to identify and serve infants and toddlers with disabilities, a \$20 million increase. In many cases, this early intervention can reduce or even eliminate the need for special education as children grow up.

As part of the President's initiative to tie budget decisions to program performance, this budget will launch a multi-year effort to reform job training programs across the Federal government, target resources to programs with documented effectiveness, and eliminate funding for ineffective, duplicative, and overlapping programs. As part of this initiative, the budget proposes a new \$30 million incentive grant, which will be allocated to State Vocational Rehabilitation (VR) agencies based on their performance in helping individuals with disabilities obtain competitive jobs. While nationwide State VR agency performance has improved in recent years, there is still wide variation among States.

Training and Employment

The budget reflects the Administration's continued efforts to reform the Nation's workforce development

system and provide job training opportunities to help workers succeed in the economy of the 21st Century.

The Workforce Investment Act (WIA) of 1998 took full effect on July 1, 2000, as the Job Training Partnership Act (JTPA) was repealed and all States began to fully implement the WIA requirements. However, the WIA's authorization will expire in 2003, providing the Administration an opportunity to evaluate critically the current program structure, financing, and performance. The Administration will undertake that work in the coming year, and the 2004 Budget will outline a proposal to further consolidate training programs. In 2003, estimates indicate that more than \$9.3 billion will be available for investments in job training and other dislocated worker services, including \$5 billion in new budget authority and \$4.3 billion in unspent resources carried forward into 2003.

The Administration is proposing short- and longer-term legislative reforms to promote flexibility and strengthen the Unemployment Insurance (UI) and Employment Service (ES) programs. Near-term reforms are designed to meet the immediate needs of unemployed workers during the current economic slowdown. Longer-term reforms will enable more workers to receive extended UI benefits; reduce employers' Federal payroll taxes, spurring economic growth; and allow States to control their own administrative funding. The budget also includes two proposals to strengthen financial management of the UI program and help States cut wasteful benefit overpayments. These proposals would enable the Inspector General to uncover fraudulent benefits schemes and train States to detect and reduce overpayments; and assist States in their efforts to use existing databases to eliminate fraudulent payments to ineligible claimants. The budget proposes \$12 million for these efforts.

The Administration also is encouraging greater competition and participation by faith-based and community organizations in Federal grant programs. To this end, the Department of Labor has scrutinized its grant program applications to remove barriers. For example, it discovered that under the Women in Apprenticeship and Non-traditional Occupations (WANTO) program, applicants were required to demonstrate a "history of commitment to economic and social justice." The Department of Labor dropped this restrictive language, and received 37 applications, more than twice the average received in recent years. Of the 11 actual grant recipients, 4 were new applicants who never had received a WANTO grant.

Social Services

The Head Start program gives low-income children a comprehensive approach to child development, stressing language and cognitive development, health, nutrition, and social competency. Head Start is administered by the Administration for Children and Families (ACF) in the Department of Health and Human Services. The Administration requests \$6.7 billion for Head Start for 2003, a \$130 million increase above 2002. The Presi-

dent has proposed to reform Head Start and return it to its original focus getting children ready to learn. The Department of Health and Human Services and the Department of Education have formed a taskforce to assess ways to improve Head Start and lay the groundwork for the proposed transfer to the Department of Education as part of the program's reauthorization.

The budget requests \$1.7 billion for the Social Services Block Grant for 2003. This program provides flexible funds to States for social services for low-income individuals and families.

Income Support

Food and nutrition assistance.—This budget requests \$7.5 billion in budget authority for grants for the National School Lunch and School Breakfast Programs, which provide free or low-cost nutritious meals to children in participating schools. In 2003, the programs will serve an estimated 26.3 million lunches and 7.7 million breakfasts daily. The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides vouchers for nutritious supplemental food packages, nutrition education and counseling, and health and immunization referrals to low-income women, infants, and children. The budget provides \$4.8 billion in 2003 for WIC, including a \$150 million contingency fund. The request is sufficient to serve 7.8 million persons monthly and the contingency fund will ensure that the program can expand to serve an increasing number of eligible persons should that be necessary for any reason.

Other income security.—The Child Care and Development Fund provides grants to States for the purposes of providing low-income families with financial assistance for child care, improving the quality and availability of child care, and establishing, expanding, or conducting early childhood development programs and before- and after-school programs. The Child Care Development Fund is funded through both the Child Care and Development Block Grant (\$2.1 billion proposed for 2003) and the Child Care Entitlement to States (\$2.7 billion proposed for 2003).

Health

This budget proposes \$172.0 billion in outlays for 2003 grants to State and local governments for health, \$16.4 billion more than for 2002.

Transitional Medicare Low-Income Drug Assistance.—The Administration proposes to begin to phase in comprehensive drug coverage for lower-income Medicare beneficiaries up to 150 percent of poverty, as envisioned in all major prescription drug proposals. This proposal would allow States to expand drug coverage to Medicare beneficiaries up to 100 percent of poverty—about \$12,000 for a family of two—at current Medicaid matching rates, much like existing programs that subsidize Medicare premiums and cost-sharing for low-income Medicare beneficiaries. Further, as an added incentive for States to expand coverage up to 150 percent

of poverty—about \$17,000 for a family of two—the Federal government would pay 90 percent of the States' costs of expansion above 100 percent of poverty with States being responsible for the remaining 10 percent. This policy eventually would expand drug coverage for up to 3 million beneficiaries currently without prescription drug assistance.

Medicaid.—Medicaid is the largest grant program, with outlays projected to be \$160.1 billion in 2003, including the changes proposed in this budget. In 2001, this Federal-State health care program served about 37 million low-income Americans, primarily children, pregnant women, the elderly, and those with disabilities. The Federal Government spent \$129.4 billion, 57 percent of the total program in 2001, while States spent \$98.4 billion or 43 percent. Medicaid covers one-fourth of the Nation's children and is the largest single purchaser of maternity care and nursing home and other long-term care services. The elderly and disabled made up one-third of Medicaid enrollees in 2001, but accounted for approximately two-thirds of spending on benefits. Medicaid pays for over one-third of the Nation's long-term care services.

The Administration proposes several Medicaid initiatives. One initiative would extend for one year Transitional Medicaid Assistance, which provides health insurance coverage to former welfare recipients who would otherwise lose Medicaid eligibility due to earnings from employment. The Administration also proposes to strengthen management and enforcement of Federal payment policies for hospital, nursing home, and school-based health services. The General Accounting Office and the Department of Health and Human Services' Inspector General have identified questionable Medicaid claiming practices for these services, and have recommended increased Federal oversight.

State Children's Health Insurance Program.—The State Children's Health Insurance Program (SCHIP) was established in 1997 in the Balanced Budget Act to make available approximately \$40 billion over 10 years for States to provide health care coverage to low-income, uninsured children. The Balanced Budget Act of 1997 authorized annual allotments that are available to States for three years; remaining funds were then to be redistributed among the States and available for one additional year before returning to the Treasury. According to current estimates, \$3.2 billion in funds will return to the Treasury at the end of 2002 and 2003. The Administration proposes to extend the availability of these expiring funds until 2006. According to current estimates, this extension will allow every State to retain some funds. This proposal will enable more States to maintain their current coverage levels as well as provide additional health insurance coverage to more Americans under the Administration's Health Insurance Flexibility and Accountability (HIFA) initiative. SCHIP gives States broad flexibility in program design while protecting beneficiaries through basic Federal standards. Approximately 4.6 million children were enrolled in SCHIP programs in 2001.

Health Insurance Flexibility and Accountability Initiative.—In August 2001, the Administration introduced the HIFA demonstration initiative, which gives States the flexibility they need to design innovative ways to increase access to health insurance coverage for the uninsured. The HIFA initiative:

- Encourages States to develop comprehensive health insurance coverage approaches that utilize available Medicaid and SCHIP funding to address insurance coverage for individuals with incomes less than twice the official poverty level.
- Gives States the programmatic flexibility to increase health insurance coverage through support of private group health coverage.
- Simplifies the waiver application process by providing clear guidance and data templates.
- Increases accountability in the State and Federal partnership by ensuring that Medicaid and SCHIP funds are effectively being used to increase health insurance coverage.

The Administration will continue to build on the HIFA initiative to give States the flexibility they need to extend coverage to more of the neediest residents and reduce the number of uninsured.

Bioterrorism.—The budget requests over \$1.4 billion to assist States and localities prepare for, identify and respond to acts of bioterrorism. The President's proposal will improve the ability of State public health laboratories to identify dangerous agents, allow hospitals to conduct training exercises with the State public health and emergency departments, improve coordination between hospitals on a regional basis and allow them to purchase better equipment, and improve the communication between State public health and emergency response systems in the case of an attack.

Community Health Centers.—This budget requests Federal spending to assist State and local governments in increasing access to health care by increasing the number of community health center sites. Community health centers (CHCs) provide family-oriented, preventive and primary health care to over 11 million patients through a network of over 3,400 health centers sites. CHCs are successfully improving the health status of the Nation's underserved populations. The budget builds on the 2002 Community Health Centers Presidential Initiative to increase the number of health center sites by 1,200 to serve an additional 6.1 million patients by 2006.

Natural Resources and Environment

The Administration requests over \$900 million for the Land and Water Conservation Fund (LWCF), of which \$575 million is for grants and assistance programs. Traditionally, funds from the LWCF have been used to acquire and conserve lands in national parks, forests, refuges, and public lands, and provide grants to States for broad conservation and outdoor recreation purposes. Last year, the LWCF funded two of the President's priorities, both of which recognize that Federal acquisition is not always the best or only way to con-

serve land and other natural resources. These programs, which include the Landowner Incentive Grants and Private Stewardship Grants, provide new ways to cooperate with private landowners to enhance habitat for imperiled species and encourage conservation efforts on private lands.

The budget funds the Cooperative Conservation Initiative (CCI) by allocating \$100 million in matching funds for natural resource conservation projects. Projects can range from working with The Nature Conservancy to removing invasive species from Channel Islands National Park, to working with local communities to reclaim abandoned mine sites. Half of these funds would be allocated through cost-shared programs between non-Federal partners and the Department of Interior's National Park Service, Fish and Wildlife Service, and Bureau of Land Management. The other half would be distributed to States as part of the LWCF State Grant program.

The Administration's focus on endangered species involves working with partners to prevent species from being on the endangered species list in the first place and to recover those already listed. The President's budget provides over \$200 million in 2003 for such activities through various grant programs, including the Cooperative Endangered Species Conservation Fund, State and Tribal Wildlife Grant, Landowner Incentive Grant and Private Stewardship Grant programs. These programs emphasize working with and encouraging States and landowners to protect a variety of species and their habitat, thereby garnering matching funds and their support of these conservation efforts.

The Administration also proposes \$171 million in grant funding in 2003 under the recent Brownfields authorizing legislation. This fully funds, at the authorized level of \$50 million, the new grant program to establish State response programs for oversight of private clean-up activities. This also provides \$121 million in grants to States, tribes and municipalities for Brownfields clean-up activities. These grants will be used to characterize and assess the contamination of properties, capitalize revolving loan funds used for clean-up, and provide job training, among other activities.

Administration of Justice

The budget increases funding for counter-terrorism and homeland security measures by reducing grants and other programs that have accomplished their mission, failed to demonstrate a clear impact on crime, or have been extensively earmarked by Congress. Despite spending billions of dollars since 1994, virtually no evidence links the Department of Justice's grant programs to the Nation's falling crime rate, and most lack verifiable measures of performance. The President's proposal continues to support flexible grant funding for State and local law enforcement by merging Byrne Grants, Local Law Enforcement Block Grants, and the Community Oriented Policing Services Hiring Grants into a new \$800 million Justice Assistance

Grant Program. While Department of Justice grants are reduced by a net total of \$1.2 billion, this is more than offset by the budget's proposal for \$3.5 billion in the Federal Emergency Management Agency assistance to improve the terrorism preparedness and crisis response capabilities of State and local first responders, including police, fire, and rescue personnel.

Transportation

Grant outlays for transportation are estimated to be \$38.4 billion in 2003 to assist with transportation infrastructure and related programs, including highways, transit, airports and other areas.

Highways and Transit.—The budget requests \$22.1 billion in budgetary resources in 2003 for the Federal-aid highways program to maintain and improve surface transportation infrastructure, along with improvements in the physical condition and safety of the facilities.

Under the Transportation Equity Act for the 21st Century (TEA-21), highway spending is adjusted each year according to a formula in law that reflects the most recent data on highway-related receipts. In 2000, 2001, and 2002 highway spending was increased significantly by these annual adjustments. However, for 2003 this formula will produce a reduction in the amount of new commitments of highway spending, due in large part to a previous overestimate of actual receipts in 2001. Even so, in 2003 actual spending on highway construction, including the continuation of prior-year projects, will fall less than three percent from its all-time high in 2002. Highway spending in 2003 will be 40 percent higher than in 1998, the first year of TEA-21. These infrastructure programs help reduce congestion and expand travel options. The Department of Transportation also has several programs that regulate highway and pipeline safety to reduce accidents and fatalities.

The budget requests \$7.1 billion in budgetary resources in 2003 to assist State and local governments with mass transit programs.

Airports.—The budget requests \$3.4 billion in budgetary resources in 2003 for the Airport Improvement Program (AIP), which will enhance the Nation's airport system through increasing safety and security, reducing system delays and providing new capacity to meet anticipated demands. Of this amount, \$83 million is for the essential air service program.

Community and Regional Development

Community development.—Community Development Block Grants (CDBG) provide funds for various community development activities directed primarily at low-and moderate-income persons. This budget requests \$4.7 billion in budget authority for 2003 in CDBG grants for improving housing, public works and services, promoting economic development, and acquiring or clearing land. While it favors poorer communities, the current distribution of CDBG formula funds includes many grants to higher-income cities and counties. The budget proposes a legislative change to reduce

grants to the wealthiest one-percent of eligible communities. These savings allow for the funding of a \$16 million initiative to improve housing and economic conditions in the Colonias, which are communities within 150 miles of the U.S.-Mexican border that lack adequate infrastructure and other basic services. In addition, the CDBG formula program grows by \$95 million in 2003, giving communities an increase in their annual CDBG allocations. As 2000 Census data become available the Department of Housing and Urban Development will develop proposals for a new CDBG allocation formula and process, to allocate more to those who need these funds and will use them effectively.

The budget proposes to streamline the Department of Housing and Urban Development's efforts to promote community and economic development by eliminating two Community Planning and Development programs—the Rural Housing and Economic Development grants and Round II Empowerment Zones (EZs) grants. Since 1999, these three programs have received over \$430 million. Evaluations and other performance information provide no convincing evidence that these are effective programs. The savings from eliminating these programs will be reinvested in the CDBG program.

The budget supports approaches for increasing affordable housing. There is a \$100 million increase for the HOME block grant, a flexible program that localities

can tailor to their particular housing needs. This program will produce about 23,000 new affordable rental units in 2003 and rehabilitate another 23,000.

Area and regional development.—The budget provides flexible funding to meet the needs of rural areas through the Rural Community Advancement Program (RCAP). RCAP provides grants, loans, and loan guarantees to stimulate economic development and help build rural community facilities such as fire stations and medical centers, and water and wastewater systems. Under RCAP, States have increased flexibility within the three funding streams for Water and Wastewater, Community Facilities, and Business and Industry. Department of Agriculture State Directors have the authority to transfer up to 25 percent of the funding among any of these programs to tailor RCAP assistance to the specific rural economic development needs of individual States. The budget proposes \$2.8 billion in loans and grants for RCAP for 2003.

Other Functions

Discussions of these and other Federal aid programs can be found in the main budget volume in Section III, and elsewhere. As noted earlier, a detailed listing of budget authority and outlays for all grants to State and local governments is in Table 10–3 in this chapter.

HISTORICAL PERSPECTIVES

In recent decades, Federal aid to State and local governments has become a major factor in the financing of certain government functions. The rudiments of the present system date back to the Civil War. The Morrill Act, passed in 1862, established the land grant colleges and instituted certain federally-required standards for States that received the grants, as is characteristic of the present grant programs. Federal aid was later initiated for agriculture, highways, vocational education and rehabilitation, forestry, and public health. In the depression years, Federal aid was extended to meet income security and other social welfare needs. However, Federal grants did not become a significant factor in Federal Government expenditures until after World War II.

Table 10–2 displays trends in Federal grants to State and local governments since 1960. Section A shows Federal grants by function. Functions with a substantial amount of grants are shown separately. Grants for the national defense, energy, social security, and the veterans benefits and services functions are combined in the “other functions” line in the table.

Federal grants for transportation increased to \$3.0 billion, or 43 percent of all Federal grants, in 1960 after initiation of aid to States to build the Interstate Highway System in the late 1950s.

By 1970 there had been significant increases in the relative amounts for education, training, employment, social services, and health (largely Medicaid).

In the early and mid-1970s, major new grants were created for natural resources and environment (construction of sewage treatment plants), community and regional development (community development block grants), and general government (general revenue sharing).

Since the late 1970s changes in the relative amounts among functions reflect steady growth of grants for health (Medicaid) and income security. The functions with the largest amount of grants are health; income security; education, training, employment, and social services; and transportation, with combined estimated grant outlays of \$344.8 billion or 92 percent of total grant outlays in 2003.

The increase in total outlays for grants overall since 1990 has been driven by increases in grants for health, which more than tripled from \$43.9 billion in 1990 to an estimated \$172.0 billion in 2003. The income security; education, training, employment, and social services; and transportation functions also increased substantially, but at a slower rate than the increase for health.

Section B of the Table shows the distribution of grants divided into mandatory and discretionary spending.

Funding required for grant programs classified as mandatory occurs in authorizing legislation. Funding levels for mandatory programs can only be changed by changing eligibility criteria or benefit formulas established in law and are usually not limited by the

Table 10-2. TRENDS IN FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS
(Outlays; dollar amounts in billions)

	Actual										Estimate					
	1960	1965	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
A. Distribution of grants by function:																
Natural resources and environment	0.1	0.2	0.4	2.4	5.4	4.1	3.7	4.0	4.6	4.9	5.3	5.5	5.6	5.6	5.6	5.5
Agriculture	0.2	0.5	0.6	0.4	0.6	2.4	1.3	0.8	0.7	0.8	0.9	0.8	0.9	0.9	0.9	0.9
Transportation	3.0	4.1	4.6	5.9	13.0	17.0	19.2	25.8	32.2	36.7	38.7	38.4	35.6	34.9	35.2	36.4
Community and regional development	0.1	0.6	1.8	2.8	6.5	5.2	5.0	7.2	8.7	9.5	11.6	14.2	14.9	14.3	12.6	12.4
Education, training, employment, and social services	0.5	1.1	6.4	12.1	21.9	17.1	21.8	30.9	36.7	40.1	45.9	51.6	54.2	55.2	55.8	56.8
Health	0.2	0.6	3.8	8.8	15.8	24.5	43.9	93.6	124.8	139.3	155.6	172.0	185.2	200.6	217.9	237.7
Income security	2.6	3.5	5.8	9.4	18.5	27.9	36.8	58.4	68.7	76.1	80.0	82.8	84.4	84.9	85.7	86.0
Administration of justice .....	.....	.....	*	0.7	0.5	0.1	0.6	1.2	5.3	6.6	4.7	7.6	8.5	5.5	5.0	5.0
General government	0.2	0.2	0.5	7.1	8.6	6.8	2.3	2.3	2.1	2.4	2.6	2.2	3.4	2.2	2.3	2.2
Other	*	0.1	0.1	0.2	0.7	0.8	0.8	0.8	0.9	1.0	1.2	1.3	1.3	1.3	1.4	1.4
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	284.7	317.2	346.5	376.4	394.0	405.4	422.6	444.4
B. Distribution of Grants by BEA Category:																
Discretionary	N/A	2.9	10.2	21.0	53.3	55.5	63.3	94.0	116.7	131.1	143.7	155.4	156.8	154.5	153.7	154.8
Mandatory	N/A	8.0	13.9	28.8	38.1	50.4	72.0	131.0	168.0	186.2	202.8	221.0	237.1	250.9	268.9	289.5
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	284.7	317.2	346.5	376.4	394.0	405.4	422.6	444.4
C. Composition:																
Current dollars:																
Payments for individuals ¹	2.5	3.7	8.7	16.8	32.6	50.1	77.3	144.4	182.6	203.9	223.2	242.1	256.6	272.9	291.6	313.3
Physical capital ¹	3.3	5.0	7.1	10.9	22.6	24.9	27.2	39.6	48.7	53.4	56.8	57.2	55.5	53.7	54.0	54.2
Other grants	1.2	2.2	8.3	22.2	36.2	30.9	30.9	41.0	53.4	59.9	66.5	77.2	81.8	78.8	77.0	76.8
Total	7.0	10.9	24.1	49.8	91.4	105.9	135.3	225.0	284.7	317.2	346.5	376.4	394.0	405.4	422.6	444.4
Percentage of total grants:																
Payments for individuals ¹	35.3%	34.1%	36.2%	33.6%	35.7%	47.3%	57.1%	64.2%	64.1%	64.3%	64.4%	64.3%	65.1%	67.3%	69.0%	70.5%
Physical capital ¹	47.3%	45.7%	29.3%	21.9%	24.7%	23.5%	20.1%	17.6%	17.1%	16.8%	16.4%	15.2%	14.1%	13.3%	12.8%	12.2%
Other grants	17.4%	20.2%	34.5%	44.5%	39.6%	29.2%	22.8%	18.2%	18.8%	18.9%	19.2%	20.5%	20.8%	19.4%	18.2%	17.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Constant (FY 1996) dollars:																
Payments for individuals ¹	11.3	15.9	31.7	45.4	60.2	70.7	90.8	147.4	169.9	185.7	199.8	211.9	219.6	228.2	238.2	249.9
Physical capital ¹	15.8	22.4	25.2	23.9	36.1	31.8	30.3	40.4	45.4	48.6	50.6	49.7	47.1	44.5	43.6	42.7
Other grants	8.3	12.8	36.1	67.2	72.2	44.5	36.8	42.0	46.8	51.0	55.3	62.7	64.9	60.9	58.0	56.5
Total	35.3	51.2	92.9	136.5	168.5	147.0	157.9	229.8	262.2	285.3	305.8	324.3	331.6	333.7	339.8	349.1
D. Total grants as a percent of:																
Federal outlays:																
Total	7.6%	9.2%	12.3%	15.0%	15.5%	11.2%	10.8%	14.8%	15.9%	17.0%	16.9%	17.7%	18.0%	17.8%	17.8%	18.0%
Domestic programs ²	18.0%	18.3%	23.2%	21.7%	22.2%	18.2%	17.1%	21.6%	22.0%	22.9%	22.2%	23.2%	23.4%	23.2%	23.1%	23.2%
State and local expenditures	19.2%	20.1%	24.1%	27.1%	30.4%	24.2%	21.0%	25.1%	24.4%	25.2%	N/A	N/A	N/A	N/A	N/A	N/A
Gross domestic product	1.4%	1.6%	2.4%	3.2%	3.3%	2.6%	2.4%	3.1%	2.9%	3.1%	3.3%	3.4%	3.4%	3.3%	3.3%	3.3%
E. As a share of total State and local gross investments:																
Federal capital grants	24.6%	25.5%	25.4%	25.9%	35.4%	30.2%	21.9%	25.8%	22.1%	23.0%	N/A	N/A	N/A	N/A	N/A	N/A
State and local own-source financing	75.4%	74.5%	74.6%	74.1%	64.6%	69.8%	78.1%	74.2%	77.9%	77.0%	N/A	N/A	N/A	N/A	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	N/A	N/A	N/A	N/A	N/A

N/A = Not available.

^{*} 50 million or less.¹ Grants that are both payments for individuals and capital investment are shown under capital investment.² Excludes national defense, international affairs, net interest, and undistributed offsetting receipts.

annual appropriations process. Outlays for mandatory grant programs are estimated to be \$221.0 billion in 2003. The three largest mandatory grant programs are Medicaid, with estimated outlays of \$160.1 billion in 2003, Temporary Assistance for Needy Families, \$19.4 billion in 2003, and Food Stamp grants for State administration and child nutrition programs, with combined outlays of \$14.6 billion in 2003.

The funding level for discretionary grant programs is determined annually through appropriations acts. Outlays for discretionary grant programs are estimated to be \$155.4 billion in 2003. Table 10-3 at the end of this chapter identifies discretionary and mandatory grant programs separately. For more information on the Budget Enforcement Act and these categories, see

Chapter 25 “Budget System and Concepts and Glossary” in this volume.

Section C of Table 10–2 shows the composition of grants divided into three major categories: payments for individuals, grants for physical capital, and other grants.² Grant outlays for payments for individuals, which are mainly entitlement programs in which the Federal Government and the States share the costs, have grown significantly as a percent of total grants. They increased from 57.1 percent of the total in 1990 to 64.3 percent of the total in 2001. While payments for individuals will comprise the same percent of grants in 2003 as 2001, they are estimated to increase to an estimated 70.5 percent of the total by 2007.

These grants are distributed through State or local governments to provide cash or in-kind benefits that constitute income transfers to individuals or families. The major grant in this category is Medicaid. Temporary Assistance for Needy Families, Food Stamps administration, child nutrition programs, and housing assistance are also large grants in this category.

Grants for physical capital assist States and localities with construction and other physical capital activities. The major capital grants are for highways, but there are also grants for airports, mass transit, sewage treatment plant construction, community development, and other facilities. Grants for physical capital were almost half of total grants in 1960, shortly after grants began for construction of the Interstate Highway System. The relative share of these outlays has declined, as payments for individuals have grown. In 2003, grants for physical capital are estimated to be 15.2 percent of total grants.

OTHER INFORMATION ON FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Additional information regarding aid to State and local governments can be found elsewhere in this budget and in other documents.

Major public physical capital investment programs providing Federal grants to State and local governments are identified in Chapter 7, “Federal Investment Spending and Capital Budgeting.”

Data for summary and detailed grants to State and local governments can be found in many sections of a separate document entitled *Historical Tables*. Section 12 of that document is devoted exclusively to grants to State and local governments. Additional information on grants can be found in Section 6 (Composition of Federal Government Outlays); Section 9 (Federal Government Outlays for Investment: Major Physical Capital, Research and Development, and Education and Training); Section 11 (Federal Government Payments for Individuals); and Section 15 (Total (Federal and State and Local) Government Finances).

In addition to these sources, a number of other sources of information are available that use slightly

The other grants are primarily for education, training, employment, and social services. These grants increased to 44.5 percent of total grants by 1975, and are projected to be 20.5 percent of total grants in 2003.

Section C of Table 10–2 also shows these three categories in constant dollars. In constant 1996 dollars, total grants increase from \$157.9 billion in 1990 to an estimated \$324.3 billion in 2003, an average increase of 5.7 percent per year. During this same period, grants for payments to individuals are estimated to increase an average of 6.7 percent per year; grants for physical capital an average of 3.9 percent per year, and other grants an average of 4.2 percent per year.

In contrast to these increases, outlays for total grants in constant 1996 dollars decreased during the 1980s, from \$168.5 billion in 1980 to \$157.9 billion in 1990.

Section D of this table shows grants as a percentage of Federal outlays, State and local expenditures, and gross domestic product. Grants have increased as a percentage of total Federal outlays from 10.8 percent in 1990 to an estimated 17.7 percent in 2003. Grants as a percentage of domestic spending are estimated to be 23.2 percent in 2003.

As a percentage of total State and local expenditures, grants have increased from 21.0 percent in 1990 to 25.2 percent in 2001.

Section E shows the relative contribution of physical capital grants in assisting States and localities with gross investment. After a slight increase to 25.8 percent in 1995, Federal capital grants have declined to 23.0 percent of State and local gross investment in 2001.

different concepts of grants, provide State-by-State information, provide information on how to apply for Federal aid, or display information about audits.

Government Finances, published annually by the Bureau of the Census in the Department of Commerce, provides data on public finances, including Federal aid to State and local governments.

The *Survey of Current Business*, published monthly by the Bureau of Economic Analysis in the Department of Commerce, provides data on the national income and product accounts (NIPA), a broad statistical concept encompassing the entire economy. These accounts include data on Federal grants to State and local governments. Data using the NIPA concepts appear in this volume in Chapter 17, “National Income and Product Accounts.”

The *Budget Information for States* (BIS) report provides estimates of State-by-State funding allocations for the largest formula grant programs for the past, present, and budget year. These programs comprise approximately 85 percent of total Federal aid to State

²Certain housing grants are classified in the budget as both payments for individuals and physical capital spending. In the text and tables in this section, these grants are included in the category for physical capital spending.

and local governments. The document is prepared by the Office of Management and Budget soon after the budget is released.

Federal Aid to States, a report prepared by the Bureau of the Census, shows Federal spending by State for grants for the most recently completed fiscal year.

The *Consolidated Federal Funds Report* is an annual document that shows the distribution of Federal spending by State and county areas and by local governmental jurisdictions. It is prepared by the Bureau of the Census.

The Federal Assistance Awards Data System (FAADS) provides computerized information about current grant funding. Data on all direct assistance awards are provided quarterly by the Bureau of the Census to the States and to the Congress.

The *Catalog of Federal Domestic Assistance* is a primary reference source for communities wishing to apply

for grants and other domestic assistance. The Catalog is prepared by the General Services Administration with data collected by the Office of Management and Budget and is available from the Government Printing Office. The basic edition of the Catalog is usually published in June and an update is generally prepared in December. It contains a detailed listing of grant and other assistance programs; discussions of eligibility criteria, application procedures, and estimated obligations; and related information.

The Federal Audit Clearinghouse maintains an on-line database (<http://harvester.census.gov/sac>) that provides access to summary information about audits conducted under OMB Circular A-133, "Audits to States, Local Governments, and Non-Profit Organizations." Information is available for each audited entity, including the amount of Federal money expended by program and whether there were audit findings.

DETAILED FEDERAL AID TABLE

Table 10-3, "Federal Grants to State and Local Governments-Budget Authority and Outlays," provides detailed budget authority and outlay data for grants. This

table displays discretionary and mandatory grant programs separately.

Table 10-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
NATIONAL DEFENSE						
Discretionary:						
Federal Emergency Management Agency:						
Emergency management planning and assistance	47	91	71	47	91	71
Total, discretionary	47	91	71	47	91	71
Total, national defense	47	91	71	47	91	71
ENERGY						
Discretionary:						
Department of Energy:						
Energy Programs:						
Energy conservation	195	275	361	177	250	350
Total, discretionary	195	275	361	177	250	350
Mandatory:						
Tennessee Valley Authority:						
Tennessee Valley Authority fund	315	329	338	315	329	338
Total, mandatory	315	329	338	315	329	338
Total, energy	510	604	699	492	579	688
NATURAL RESOURCES AND ENVIRONMENT						
Discretionary:						
Department of Agriculture:						
Natural Resources Conservation Service:						
Watershed rehabilitation program		2			1	
Resource conservation and development				1	1	
Emergency watershed protection	82	34	41	66	64	75
Forest Service:						
State and private forestry	236	221	133	131	215	160
Management of national forest lands for subsistence uses	6	5	5	6	5	5
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, research, and facilities	5	5	5	3	3	3
Pacific coastal salmon recovery	110	157	110	35	290	110
Department of the Interior:						
Office of Surface Mining Reclamation and Enforcement:						
Regulation and technology	51	57	52	51	57	56
Abandoned mine reclamation fund	196	185	157	146	117	116
Bureau of Reclamation:						
Bureau of Reclamation loan subsidy	12	7		13	12	3
United States Fish and Wildlife Service:						
Commercial salmon fishery capacity reduction					5	
State and tribal wildlife grants	50	60	60		20	38
Federal aid in wildlife restoration	50			50		
Cooperative endangered species conservation fund	105	96	91	20	63	100
Wildlife conservation and appreciation fund	1			1		
Stewardship grants		10	10		2	5
Landowner incentive program		40	50		6	16
Miscellaneous permanent appropriations	3	3	3	2	3	2
National Park Service:						
Urban park and recreation fund	30	30		1	8	21
National recreation and preservation	1	1		1	1	
Land acquisition and State assistance	90	144	200	10	23	55
Historic preservation fund	94	74	67	55	127	89
Environmental Protection Agency:						
State and tribal assistance grants ¹	3,671	3,738	3,464	3,548	3,466	3,737
Hazardous substance superfund	171	171	175	141	170	170
Leaking underground storage tank trust fund	64	63	62	61	65	71
Total, discretionary ¹	5,028	5,103	4,685	4,342	4,724	4,832

Table 10-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Mandatory:						
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts	7	15	27	7	15	26
Minerals Management Service:						
National forests fund, Payment to States	4	3	3	4	3	3
Leases of lands acquired for flood control, navigation, and allied purposes	2	1	1	2	1	1
United States Fish and Wildlife Service:						
Federal aid in wildlife restoration	289	213	226	223	232	276
Sport fish restoration	301	357	338	291	311	331
Departmental Management:						
Everglades watershed protection				6	6	6
Everglades restoration account	2			2	3	1
Department of the Treasury:						
Financial Management Service:						
Payment to terrestrial wildlife habitat restoration trust fund	5	5	5	5	5	5
Total, mandatory	610	594	600	540	576	649
Total, natural resources and environment ¹	5,638	5,697	5,285	4,882	5,300	5,481
AGRICULTURE						
Discretionary:						
Department of Agriculture:						
Departmental Administration:						
Outreach for socially disadvantaged farmers	3	3	3	2	3	3
Cooperative State Research, Education, and Extension Service:						
Extension activities	454	465	448	449	502	455
Research and education activities	246	252	242	232	246	247
Integrated activities	19	15	15	3	11	14
Agricultural Marketing Service:						
Payments to States and possessions	1	1	1	1	1	1
Farm Service Agency:						
State mediation grants	3	3	3	2	2	3
Total, discretionary	726	739	712	689	765	723
Mandatory:						
Department of Agriculture:						
Office of the Secretary:						
Fund for rural America	10			11	4	11
Farm Service Agency:						
Commodity Credit Corporation fund	56	117	107	56	117	107
Total, mandatory	66	117	107	67	121	118
Total, agriculture	792	856	819	756	886	841
COMMERCE AND HOUSING CREDIT						
Mandatory:						
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Promote and develop fishery products and research pertaining to American fisheries ..	5	11	4	6	11	8
Total, mandatory	5	11	4	6	11	8
Total, commerce and housing credit	5	11	4	6	11	8
TRANSPORTATION						
Discretionary:						
Department of Transportation:						
Coast Guard:						
Boat safety				1		
Federal Aviation Administration:						
Grants-in-aid for airports (Airport and airway trust fund) ¹	3	3	4	2,020	2,801	3,273

Table 10-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Federal Highway Administration:						
State infrastructure banks		-6		3	7	5
Appalachian development highway system		200		83	92	106
Highway-related safety grants					1	
Appalachian development highway system (Highway trust fund)	254			9	111	67
Federal-aid highways ¹	23	24	24	27,098	28,040	27,297
Miscellaneous appropriations	605	148		58	408	257
Miscellaneous highway trust funds	1,210	100		71	306	309
Federal Motor Carrier Safety Administration:						
National motor carrier safety program	160	191	173	110	180	183
Motor carrier safety		5	10		4	9
Border enforcement program			18			16
National Highway Traffic Safety Administration:						
Highway traffic safety grants	202	212	214	196	218	222
Federal Railroad Administration:						
Emergency railroad rehabilitation and repair				4		
Local rail freight assistance				1	1	
Alaska railroad rehabilitation	30	20		28	25	37
Railroad research and development	3	4	2	2	2	3
Conrail commuter transition assistance				2	1	
Federal Transit Administration:						
Research, training, and human resources				1	1	1
Job access and reverse commute grants	100	125	150	39	67	95
Interstate transfer grants-transit				3	3	2
Washington Metropolitan Area Transit Authority				116	54	36
Formula grants ¹	4,517	3,565	3,839	4,078	3,713	3,535
Capital investment grants ¹	2,695	2,991	3,036	1,902	1,771	2,366
Transit planning and research	156	101	105	102	132	139
Discretionary grants (Highway trust fund, mass transit account)				722	714	386
Research and Special Programs Administration:						
Pipeline safety	22	19	19	14	19	19
Total, discretionary ¹	9,980	7,702	7,594	36,663	38,671	38,363
Mandatory:						
Department of Transportation:						
Federal Aviation Administration:						
Grants-in-aid for airports (Airport and airway trust fund) ¹	2,594	3,173	3,400			
Federal Highway Administration:						
Federal-aid highways ¹	32,632	34,822	30,855			
Research and Special Programs Administration:						
Emergency preparedness grants	17	13	13	10	15	13
Total, mandatory ¹	35,243	38,008	34,268	10	15	13
Total, transportation ¹	45,223	45,710	41,862	36,673	38,686	38,376
COMMUNITY AND REGIONAL DEVELOPMENT						
Discretionary:						
Department of Agriculture:						
Rural Development:						
Rural community advancement program	1,090	710	696	803	684	673
Rural Utilities Service:						
Distance learning and telemedicine program	27	49	31	10	16	27
Rural Business—Cooperative Service:						
Rural cooperative development grants	33	8	9	3	26	14
Forest Service:						
Southeast Alaska economic disaster fund	5			7	7	1
Department of Commerce:						
Economic Development Administration:						
Economic development assistance programs	443	353	335	356	479	450
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Moving to work				3	3	
Community Planning and Development:						
Community development block grants ¹	5,112	7,000	4,732	4,939	5,235	5,878

Table 10-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Urban development action grants				1	10	10
Community development loan guarantees subsidy	30	15	7	7	11	15
Brownfields redevelopment	25	25	25	4	26	31
Empowerment zones/enterprise communities	185	45		31	89	104
Office of Lead Hazard Control and Healthy Homes:						
Lead hazard reduction	100	110	126	86	95	101
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs	149	153	149	125	146	149
Indian guaranteed loan subsidy	5	6	5	4	6	5
Federal Emergency Management Agency:						
Emergency management planning and assistance ¹	267	499	3,629	217	380	1,904
Disaster relief ¹	3,055	5,498	1,546	2,734	4,122	4,567
National pre-disaster mitigation fund			300			75
Disaster assistance for unmet needs				46	54	19
National flood mitigation fund	20	20	20	13	21	23
Appalachian Regional Commission	70	64	59	86	105	87
Delta Regional Authority	19	9	9		1	9
Denali Commission	55	91	30	11	90	76
Total, discretionary ¹	10,690	14,655	11,708	9,486	11,606	14,218
Mandatory:						
Department of the Interior:						
Bureau of Indian Affairs:						
Indian direct loan subsidy		4		1	4	
Total, mandatory		4		1	4	
Total, community and regional development ¹	10,690	14,659	11,708	9,487	11,610	14,218
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES						
Discretionary:						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public telecommunications facilities, planning and construction	30	29	32	15	27	33
Information infrastructure grants	22	6		9	20	20
Department of Education:						
Office of Elementary and Secondary Education:						
Reading excellence	277	195		124	263	258
Indian education	113	117	117	76	110	116
Impact aid	987	1,136	1,133	1,021	1,146	1,116
Chicago litigation settlement				1	1	
Education reform	611			987	888	241
Education for the disadvantaged	9,102	11,650	13,325	8,619	9,353	11,783
School improvement programs ¹	4,432	6,959	6,501	2,721	4,269	5,992
Office of English Language Acquisition:						
English language acquisition	353	622	622	344	477	570
Office of Special Education and Rehabilitative Services:						
Special education	5,817	8,371	9,391	5,552	6,625	7,895
Rehabilitation services and disability research	137	181	207	118	236	198
American Printing House for the Blind	12	14	14	11	19	14
Office of Vocational and Adult Education:						
Vocational and adult education	1,777	1,893	1,863	1,651	1,756	1,843
Office of Postsecondary Education:						
Higher education	377	365	365	300	443	374
Office of Student Financial Assistance:						
Student financial assistance	55	67		43	63	54
Office of Educational Research and Improvement:						
Education research, statistics, and assessment	150			86	216	40
Department of Health and Human Services:						
Administration for Children and Families:						
Promoting safe and stable families	3	68	223	3	17	88
Children and families services programs	7,607	8,080	8,130	6,614	7,403	7,967
Administration on Aging:						
Aging services programs	1,104	1,201	1,342	949	1,137	1,295

Table 10-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Department of the Interior:						
Bureau of Indian Affairs:						
Operation of Indian programs	243	271	251	230	270	251
Department of Labor:						
Employment and Training Administration:						
Training and employment services ¹	4,090	3,827	3,399	3,132	4,025	4,201
Community service employment for older Americans	97	101	97	102	99	100
State unemployment insurance and employment service operations ¹	193	167	156	119	201	217
Unemployment trust fund	1,049	1,052	874	1,100	896	890
Corporation for National and Community Service:						
Domestic volunteer service programs, operating expenses	74	81	100	70	81	92
National and community service programs, operating expenses	242	213	339	239	228	275
Corporation for Public Broadcasting	360	375	390	360	375	390
District of Columbia:						
District of Columbia General and Special Payments:						
Federal payment for resident tuition support	17	17	17	17	17	17
Institute of American Indian and Alaska Native Culture and Arts:						
Payment to the institute			1			1
National Endowment for the Arts:						
National Endowment for the Arts: grants and administration	34	34	34	32	38	36
Challenge America arts fund	3	7	7	1	6	7
Institute of Museum and Library Services:						
Office of Museum Services: grants and administration	23	24	25	22	33	33
Office of Library Services: grants and administration	203	193	175	167	226	226
Total, discretionary¹	39,594	47,316	49,130	34,835	40,964	46,633
Mandatory:						
Department of Education:						
Office of Special Education and Rehabilitative Services:						
Rehabilitation services and disability research	2,400	2,482	2,533	2,389	2,258	2,515
Department of Health and Human Services:						
Administration for Children and Families:						
Job opportunities and basic skills training program				4	4	3
Promoting safe and stable families	300	305	305	258	281	284
Social services block grant	1,725	1,700	1,700	1,852	1,803	1,793
Department of Labor:						
Employment and Training Administration:						
Training and employment services			-138			-4
Welfare to work jobs				659	491	120
State unemployment insurance and employment service operations			138			84
Federal unemployment benefits and allowances	132	132	132	141	131	132
Total, mandatory	4,557	4,619	4,670	5,303	4,968	4,927
Total, education, training, employment, and social services¹	44,151	51,935	53,800	40,138	45,932	51,560
HEALTH						
Discretionary:						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and expenses	47	43	43	43	43	43
Department of Health and Human Services:						
Food and Drug Administration:						
Salaries and expenses	1	1	1	1	1	1
Health Resources and Services Administration:						
Health resources and services	2,218	2,538	2,499	1,820	2,283	2,492
Centers for Disease Control and Prevention:						
Disease control, research, and training ¹	2,536	2,660	2,496	2,106	2,356	2,745
Substance Abuse and Mental Health Services Administration:						
Substance abuse and mental health services	2,156	2,289	2,307	2,098	2,229	2,234
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and expenses	88	90	90	88	90	90
Mine Safety and Health Administration:						
Salaries and expenses	8	8	8	8	8	8

Table 10-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Total, discretionary¹	7,054	7,629	7,444	6,164	7,010	7,613
Mandatory:						
Department of Health and Human Services:						
Centers for Medicare and Medicaid Services:						
Grants to States for medicaid	129,504	144,816	160,070	129,434	144,926	160,070
State children's health insurance fund	6,283	3,115	3,175	3,699	3,689	4,322
State grants and demonstrations	62	67	72	2	18	30
Total, mandatory	135,849	147,998	163,317	133,135	148,633	164,422
Total, health¹	142,903	155,627	170,761	139,299	155,643	172,035
INCOME SECURITY						
Discretionary:						
Department of Agriculture:						
Food and Nutrition Service:						
Food donations programs	151	151	1	134	150	45
Commodity assistance program	140	150	145	136	159	147
Special supplemental nutrition program for women, infants, and children (WIC) ¹	4,044	4,387	4,751	4,085	4,426	4,727
Child nutrition programs	13	7	7	7	5	5
Department of Health and Human Services:						
Administration for Children and Families:						
Low income home energy assistance	2,000	2,000	1,700	2,161	1,830	1,692
Refugee and entrant assistance	324	353	344	345	351	385
Payments to States for the child care and development block grant	1,993	2,093	2,093	1,369	1,910	2,055
Payments to States for foster care and adoption assistance			60			9
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public housing operating fund	3,235	3,495	3,530	3,137	3,385	3,458
Drug elimination grants for low-income housing	309	-11		309	312	247
Revitalization of severely distressed public housing (HOPE VI)	574	574	574	487	552	608
Native Hawaiian Housing Block Grant			10			1
Public housing capital fund	2,993	2,843	2,426	3,550	3,656	3,553
Native American housing block grant	649	649	647	684	711	740
Housing certificate fund	8,798	10,618	12,156	9,530	10,130	10,453
Community Planning and Development:						
Homeless assistance grants	1,023	1,123	1,130	965	1,062	1,199
Home investment partnership program	1,796	1,846	2,084	1,424	1,551	1,600
Youthbuild program					1	
Emergency food and shelter program			153			153
Housing opportunities for persons with AIDS	257	277	292	241	250	260
Rural housing and economic development	25	25		17	25	25
Housing Programs:						
Homeownership and opportunity for people everywhere grants (HOPE grants)	-3			21	25	1
Housing for special populations	994	1,024	1,024	774	847	885
Department of Labor:						
Employment and Training Administration:						
State unemployment insurance and employment service operations	4	4			8	
Unemployment trust fund	2,439	2,793	2,734	2,364	2,793	2,734
Federal Emergency Management Agency:						
Emergency food and shelter program	140	140		140	140	
Total, discretionary¹	31,898	34,541	35,861	31,880	34,279	34,982
Mandatory:						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for strengthening markets, income, and supply (section 32)	717	888	640	776	696	640
Food and Nutrition Service:						
Food stamp program	3,874	3,899	3,698	3,664	3,833	3,900
Child nutrition programs	9,466	9,932	10,407	9,409	10,167	10,665
Department of Health and Human Services:						
Administration for Children and Families:						
Payments to States for child support enforcement and family support programs	3,517	3,908	3,978	3,706	4,018	4,074
Contingency fund			2,000			45

Table 10-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Payments to States for foster care and adoption assistance	6,401	6,622	6,609	5,710	6,098	6,422
Child care entitlement to States	2,565	2,710	2,710	2,336	2,529	2,730
Temporary assistance for needy families	16,689	16,689	17,008	18,583	18,334	19,354
Total, mandatory	43,229	44,648	47,050	44,184	45,675	47,830
Total, income security ¹	75,127	79,189	82,911	76,064	79,954	82,812
SOCIAL SECURITY						
Discretionary:						
Social Security Administration:						
Federal disability insurance trust fund	4	14	16	.....	11	15
Total, discretionary	4	14	16	.....	11	15
Total, social security	4	14	16	.....	11	15
VETERANS BENEFITS AND SERVICES						
Discretionary:						
Department of Veterans Affairs:						
Veterans Health Administration:						
Medical care	328	367	406	328	367	406
Construction:						
Grants for construction of State extended care facilities	100	100	100	60	91	95
Grants for the construction of State veterans cemeteries	25	25	32	17	21	25
Total, discretionary	453	492	538	405	479	526
Total, veterans benefits and services	453	492	538	405	479	526
ADMINISTRATION OF JUSTICE						
Discretionary:						
Department of Health and Human Services:						
Administration for Children and Families:						
Violent crime reduction programs .....	.....	.....	.....	84	25	4
Department of Housing and Urban Development:						
Fair Housing and Equal Opportunity:						
Fair housing activities	46	46	46	39	37	46
Department of Justice:						
Office of Justice Programs:						
Justice assistance ¹	580	1,025	443	290	643	1,041
State and local law enforcement assistance ¹	2,907	2,636	1,537	585	1,706	3,906
Juvenile justice programs	300	318	263	263	230	423
Community oriented policing services	1,040	1,051	1,382	1,356	1,057	1,015
Violent crime reduction programs, State and local law enforcement assistance .....	.....	.....	.....	3,092	.....	.....
Executive Office of the President:						
Emergency response fund (primarily mass transit) ¹	710	.....	.....	.....	.....	.....
Equal Employment Opportunity Commission:						
Salaries and expenses	30	30	30	30	30	30
Federal Drug Control Programs:						
High-intensity drug trafficking areas program ¹	171	226	206	136	182	218
State Justice Institute:						
State Justice Institute: salaries and expenses	7	3	.....	7	2	.....
Total, discretionary ¹	5,791	5,335	3,907	5,882	3,912	6,683
Mandatory:						
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets forfeiture fund	228	203	215	200	214	190
Office of Justice Programs:						
Crime victims fund	484	558	592	437	450	668
Department of the Treasury:						
Departmental Offices:						
Treasury forfeiture fund	94	88	88	94	88	88

Table 10-3. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(in millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2001 Actual	2002 Estimate	2003 Estimate	2001 Actual	2002 Estimate	2003 Estimate
Total, mandatory	806	849	895	731	752	946
Total, administration of justice ¹	6,597	6,184	4,802	6,613	4,664	7,629
GENERAL GOVERNMENT						
Discretionary:						
Department of the Interior:						
Bureau of Land Management:						
Payments in lieu of taxes	199	210	165	197	210	165
Insular Affairs:						
Trust Territory of the Pacific Islands				1	2	2
Department of Labor:						
Employment and Training Administration:						
Workers compensation programs		175			140	35
Department of the Treasury:						
Internal Revenue Service:						
Processing, assistance, and management	10	11	11	10	11	11
District of Columbia:						
District of Columbia Courts:						
Federal payment to the District of Columbia courts	105	112	159	95	112	154
Defender services in District of Columbia courts	34	34	32	28	34	32
Crime victims compensation fund	18				18	
Federal payment for family court act		24			21	3
District of Columbia Corrections:						
Payment to the District of Columbia corrections trustee, operations	134	30		144	69	
District of Columbia General and Special Payments:						
Federal support for economic development and management reforms in the District ...	49	31	1	22	56	1
Federal payment for emergency planning and security cost in the District of Columbia ¹		216	15		216	15
Total, discretionary ¹	549	843	383	497	889	418
Mandatory:						
Department of Agriculture:						
Forest Service:						
Forest Service permanent appropriations	322	393	398	200	393	398
Department of Energy:						
Energy Programs:						
Payments to States under Federal Power Act	3	3	3	3	3	3
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous permanent payment accounts	13	114	115	9	108	115
Minerals Management Service:						
Mineral leasing and associated payments	1,045	666	670	1,045	666	670
United States Fish and Wildlife Service:						
National wildlife refuge fund	17	21	21	18	21	21
Insular Affairs:						
Assistance to territories	78	79	70	87	71	78
Payments to the United States territories, fiscal assistance	106	106	106	105	106	106
Department of the Treasury:						
Bureau of Alcohol, Tobacco and Firearms:						
Internal revenue collections for Puerto Rico	334	246	235	334	246	235
United States Customs Service:						
Refunds, transfers, and expenses of operation, Puerto Rico	90	105	107	90	105	107
Corps of Engineers—Civil Works:						
Permanent appropriations		8	8		8	8
Total, mandatory	2,008	1,741	1,733	1,891	1,727	1,741
Total, general government ¹	2,557	2,584	2,116	2,388	2,616	2,159
Total, Grants	334,697	363,653	375,392	317,250	346,462	376,419
Discretionary	112,009	124,735	122,410	131,067	143,651	155,427
Mandatory	222,688	238,918	252,982	186,183	202,811	220,992

¹ Includes funding for the Emergency Response Fund enacted in response to the events of September 11, 2001. For additional information on this funding, see the 2003 *Budget* volume.